



DONALD L. WOLFE, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
www.ladpw.org

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

April 11, 2006

IN REPLY PLEASE
REFER TO FILE: **PM-1**

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER
SENATE BILL 1953 COMPLIANCE AND NORTH CAMPUS SITE CONSOLIDATION
ESTABLISH CAPITAL PROJECT 69334 – SPECS. 6661
SUPERVISORIAL DISTRICT 4
3 VOTES**

**JOINT RECOMMENDATION WITH THE CHIEF ADMINISTRATIVE OFFICER AND
DIRECTOR OF HEALTH SERVICES THAT YOUR BOARD:**

1. Authorize and establish Capital Project 69334 for the Rancho Los Amigos National Rehabilitation Center SB 1953 Compliance and North Campus Site Consolidation project.
2. Approve the total project budget of \$42 million for Phase I of the project.
3. Authorize the Chief Administrative Officer to enter into a Consultant Services Agreement for the environmental review and documentation required under the California Environmental Quality Act for the project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approving the recommended actions will establish C.P. 69334 for the Rancho Los Amigos National Rehabilitation Center SB 1953 Compliance and North Campus Site Consolidation project, enable the completion of professional programming and design services, and provide the appropriate environmental assessment of the project and the site.

Background

In December 2001, your Board approved the consolidation of inpatient services at the Rancho Rehabilitation Center into a new 186-bed inpatient facility as a cost-effective alternative to the seismic retrofit of existing buildings required under SB 1953. The cost of the new facility was estimated at \$161.6 million and was to be financed through the issuance of long-term bonds. The cost of retrofitting the existing inpatient facilities was estimated at \$82.6 million. Despite the higher project cost, the consolidation plan offered other benefits, including:

- Avoidance of an estimated \$36 million in upgrades to the utility infrastructure supporting the older buildings
- Annual operating savings of \$3.2 million attributable to the closure of the older existing buildings
- The eligibility of the new 186-bed inpatient facility for reimbursement of up to 65.7 percent of its debt service costs under SB 1732

The continued eligibility of the new facility for SB 1732 reimbursement, combined with the projected savings in operating costs, reduced projected debt service costs on the new facility to \$3.2 million per year versus a projected annual debt service of \$7.4 million for the retrofit of the existing inpatient facilities. The cumulative savings over the 25-year term of the bonds of the new facility option versus the retrofit option, combined with the avoidance of the utility upgrades to the older buildings, was estimated at \$141 million. Your Board subsequently approved the concept of consolidating inpatient services at the Rancho Rehabilitation Center into a new facility as an alternative to the SB 1953 mandated retrofit.

The project was deferred; however, due to the Department of Health Services' recommendation to close the Rancho Rehabilitation Center as part of its deficit reduction plan and the subsequent ruling by the United States District Court in May 2003 that prohibited the closing or reductions in inpatient capacity at the Rancho Rehabilitation Center. An injunction was subsequently ordered by the court that required Health Services to maintain 191 licensed beds at the Rancho Rehabilitation Center.

On August 9, 2005, your Board authorized settlement of the lawsuit pending approval by all parties and the court. The substance of the settlement requires the County to operate the Rancho Rehabilitation Center at an average daily census of 147 beds to maintain the Rancho Rehabilitation Center's budget at the current levels and to continue the provision of catastrophic rehabilitation services. The County also agreed to provide 12 beds dedicated to its ortho-diabetes and arthritis services for three years and outpatient services to ortho-diabetes and arthritis patients at the current level.

In order to meet the terms of the settlement and the requirements of SB 1953, to which the Rancho Rehabilitation Center remains subject to, it is recommended that your Board reauthorize the consolidation of inpatient services at the Rancho Rehabilitation Center.

Based on the escalation in costs experienced since 2001 and projected cost increases in the next two years, the retrofit of the existing inpatient buildings, which was estimated to cost \$82.6 million in 2001, is now estimated at \$130.9 million. The \$36 million in utility upgrades to existing buildings is now estimated to cost \$57.1 million. As a result, the estimated cost of seismically retrofitting the existing inpatient facilities at the Rancho Rehabilitation Center stands at \$188 million.

Given the reduction in average daily census from 207 beds in 2001 to the 147 beds required under the Settlement, the design and construction of a new 186-bed inpatient facility at the Rancho Rehabilitation Center is no longer necessary. Expansion of the existing Jacqueline Perry Institute (JPI) facility, however, would allow the consolidation of inpatient services into a single building, allow the Rancho Rehabilitation Center to realize the estimated \$3.2 million in annual operating savings associated with such a consolidation, and satisfy the requirements of SB1953.

The recommended consolidation also provides a significant cost savings versus the seismic retrofit of existing inpatient facilities at the Rancho Rehabilitation Center. The cost for expansion of the JPI facility is currently estimated at \$42 million. The second phase of consolidation, which entails the demolition of the older buildings that will be vacated in favor of the expanded JPI facility and construction of a new outpatient facility, is estimated at \$30 million. Recommendations regarding the second phase of consolidation will be presented to your Board at a future date.

Proposed Consolidation Project

The recommended consolidation of inpatient services at Rancho into the JPI building entails the renovation of 24,000 square feet of the existing 186,000-square-foot JPI

building and construction of a new 36,000-square-foot, two-story addition on the north side of the building. The enlarged and renovated facility will have the capacity for 147 licensed inpatient beds, along with associated rehabilitation support space and required diagnostic and treatment services. By constructing this new acute-care building addition, partially renovating the existing JPI building, relocating the critical care services from noncompliant buildings, and installing a 72-hour liquid waste tank, the hospital will meet all SB 1953 requirements and can operate as a licensed 147-bed facility beyond 2030.

The consolidation will also include the renovation of the historic Harriman Building and the dietary area within the Support Services Annex to accommodate the relocation of the main kitchen from the south campus. This renovation will accommodate the preparation of all inpatient meals as well as staff and visitor dining services. The existing parking structure and the Central Plant would continue to support the Rancho Rehabilitation Center North Campus. The buildings vacated as part of the consolidation of services within the expanded JPI building will be demolished in preparation for the second phase of consolidation.

Construction is anticipated to be completed in December 2012. In a separate Board letter, we are requesting your Board to authorize Public Works and Health Services to apply for the maximum five-year extension of the retrofit deadline to January 1, 2013, to allow the County flexibility to comply with SB 1953.

The second phase of the consolidation will consist of the construction of a new outpatient building of approximately 70,000 square feet to house outpatient and support services currently located in multiple buildings throughout the Rancho Rehabilitation Center North Campus. The new outpatient building will be located in proximity to the new acute-care building addition. We plan to issue a Request for Qualifications to procure the services of an executive campus planner and return to your Board to award the Contract. Recommendations regarding the second phase of consolidation will be presented to your Board at a future date.

Implementation of Strategic Plan Goals

These actions meet the County Strategic Plan Goals of Service Excellence and Children and Families' Well-Being by improving the public healthcare infrastructure and providing high standards of healthcare to the residents of the County of Los Angeles.

FISCAL IMPACT/FINANCING

The cost of the first phase of the recommended consolidation plan, including construction, consultant services, and County services, is estimated at \$42 million. It is anticipated that the project will be financed initially through the issuance of tax-exempt commercial paper and ultimately the issuance of long-term, tax-exempt bonds. We will return to your Board with final financing and funding recommendations to request authorization to adopt and advertise plans and specifications to construct the project. The Project Schedule and Budget Summary are included in the Enclosure.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Upon your Board's approval to authorize and establish C.P. 69334, we will issue a Request for Qualifications to procure the services of an executive campus planner. The standard Request for Qualifications process will be used. We will return to your Board to award the Agreement after a firm is selected.

ENVIRONMENTAL DOCUMENTATION

Approving the recommended actions will have no environmental impact. The Chief Administrative Office will initiate a Consultant Agreement for the environmental site assessment, and the appropriate environmental documentation will be completed prior to returning to your Board to request authorization to adopt and advertise plans and specifications to construct the project.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)


There will be no impact on current County services or projects during the performance of the recommended services.

The Honorable Board of Supervisors
April 11, 2006
Page 6

CONCLUSION

Please return one adopted copy of this letter to the Chief Administrative Office (Capital Projects Division), Health Services, and Public Works.

Respectfully submitted,


for DONALD L. WOLFE
Director of Public Works


DAVID E. JANSSEN
Chief Administrative Officer


BRUCE A. CHERNOFF, M.D.
Acting Director and Chief Medical Officer

LR:vmg

U:\pmd\court\Sancho\RLANRC\LUIS\boardletter11.7.05.doc

Enc.

cc: Auditor-Controller
County Counsel
Office of Affirmative Action Compliance

April 11, 2006

ENCLOSURE

**RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER
SB 1953 COMPLIANCE AND NORTH CAMPUS SITE CONSOLIDATION
ESTABLISH CAPITAL PROJECT 69334 – SPECS. 6661
SUPERVISORIAL DISTRICT 4
3 VOTES**

I. PROJECT SCHEDULE

Project Activity	Scheduled Completion Date
Project Needs Assessment	08/24/04*
Request for Qualifications Executive Campus Planner	04/18/06
Programming/Specific Plan	08/02/07
Environmental Impact Report	10/12/07
Design	
Construction Document Submittal	01/21/09
Jurisdictional Approval	03/17/10
Construction Bid and Award	07/21/10
Construction	
Substantial Completion	12/14/12
Acceptance	07/22/13

* Indicates completed activity

II. PROJECT BUDGET SUMMARY

Budget Category	Proposed Project Budget
Construction	
Construction	\$ 26,602,000
Change Orders	\$ 3,990,000
Subtotal	\$ 30,592,000
Equipment	\$ 1,100,000
Specific Plan	\$ 1,061,000
Plans and Specifications	\$ 3,625,000
Consultant Services	\$ 1,225,000
Miscellaneous Expenditures	\$ 42,000
Jurisdictional Review and Plan Check	\$ 629,000
County Services	\$ 3,726,000
Total	\$ 42,000,000